

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 301 – SB 844

April 11, 2016

SUMMARY OF ORIGINAL BILL: Redefines a “municipality” to mean an incorporated town or city having a population of at least 925, rather than 1,000 persons, for the purposes of intoxicating liquor law provisions. Removes the requirement for local government officials to certify that an applicant for a license to sell alcoholic beverages at retail will not, under their opinion, violate any of the intoxicating liquor law provisions. Deletes the provision clarifying that a manufacturer is authorized to obtain a retail license only in jurisdictions where voters have approved the sale of alcoholic beverages for off-premises consumption by referendum, or where the voters have, by local option election, approved the issuance of such special retail license.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENTS (014723, 014956, 015815): Amendment 014723 deletes all language of the original bill. Authorizes a terminal building of a commercial air carrier airport that is a member of the Tennessee Association of Air Carrier Airports to obtain a retail license to sell alcoholic beverages at retail that are manufactured within this state, are packaged in tamper-resistant sealed packages, and indicate on the packaging that the customer is prohibited from consuming the alcoholic beverage until the customer reaches the customer’s final destination.

Prohibits, with certain exceptions, alcoholic beverages or wine from being sold or delivered to a retailer unless such beverages have been stored at a wholesaler’s premises for at least 24 hours.

Prohibits delivery service licensees from delivering packaged alcoholic beverages or beer to consumers who reside more than 100 miles from the retailer where the beverages were purchased.

Deletes the provision that prohibits issuance of a retail food store wine license within 500 feet of a retail establishment selling alcoholic beverages and beer.

Amendment 014956 adds language to the bill as amended by amendment 014723 to authorize Elkton City in Giles County to conduct a referendum to authorize the sale of wine at retail food stores.

Amendment 015815 deletes and replaces language of the bill as amended by amendments 014723 and 014956 without making any substantive changes.

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FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase State Revenue –

**Exceeds \$5,800/FY16-17/ABC Fund
\$1,103,200/FY16-17/General Fund**

**Exceeds \$4,300/FY17-18 and Subsequent Years/ABC Fund
\$2,206,400/FY17-18 and Subsequent Years/General Fund**

Increase Local Revenue – \$159,700/FY16-17

\$319,400/FY17-18 and Subsequent Years

Assumptions for the bill as amended:

- Based on information provided by the Department of Revenue, retail sales per enplanement are estimated to be \$12.86, of which 3.54 percent, or \$0.45, will be for sales of alcoholic beverages as defined by this bill.
- Based on the Nashville International Airport (BNA) traffic in 2015, the total number of annual enplanements in Tennessee is estimated to be 25,777,778 (11,600,000 BNA passengers / 45% BNA of all Tennessee passengers).
- Total retail sales of alcohol are estimated to be \$11,600,000 ($25,777,778 \times \0.45).
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The net recurring increase in state sales tax revenue is estimated to be \$782,630 [$(\$11,600,000 \times 7.0\%) - (\$11,600,000 \times 7.0\% \times 3.617\%)$].
- The total recurring increase in local sales tax revenue is estimated to be \$319,370 [$(\$11,600,000 \times 2.5\%) + (\$11,600,000 \times 7.0\% \times 3.617\%)$].
- Ten percent of alcohol sales will be wine sales; ninety percent will be spirits.
- Assuming an average wholesale price of a gallon of wine of \$21.83, and an average wholesale price of a gallon of spirits of \$33.79, the recurring increase in state revenue is estimated to be \$1,423,752 $\{[(\$11,600,000 \times 10\% / \$21.83) \times \$1.21 \text{ per gallon of wine}] + [(\$11,600,000 \times 90\% / \$33.79) \times \$4.40 \text{ per gallon of spirits}]\}$.
- The total recurring increase in state revenue is estimated to be \$2,206,382 ($\$782,630 + \$1,423,752$).
- Due to the time that would be required to construct and place in operation retail stores at terminal buildings, it is estimated that the first-year impact (FY16-17) will be 50 percent of the first full-year impact, or an increase in state revenue of \$1,103,191 ($\$2,206,382 \times 50\%$), and an increase in local revenue of \$159,685 ($\$319,370 \times 50\%$).
- There will be at least five licenses issued in FY16-17. Such licenses will be renewed annually.
- Pursuant to Tenn. Code Ann. § 57-3-204(b)(1), a one-time application fee of \$300 and an annual license fee of \$850 will be imposed on such licensees.

- The increase in revenue to the Alcoholic Beverage Commission (ABC) is estimated to exceed \$5,750 [(\$300 + \$850) x 5] in FY16-17, and estimated to exceed \$4,250 in (\$850 x 5) FY17-18 and subsequent years.
- No additional personnel or resources will be required by the ABC.
- Prohibiting alcoholic beverages or wine from being sold or delivered to a retailer unless such beverages have been stored at a wholesaler's premises for at least 24 hours will not have a significant impact on state and local tax collections.
- Prohibiting delivery service licensees from delivering packaged alcoholic beverages or beer to consumers who reside more than 100 miles from the retailer from where the beverages were purchased will not result in a significant decrease in alcoholic beverage or beer sales in the state. Any impact on state or local tax revenue will be not significant.
- Deleting the provision that prohibits issuance of a retail food store wine license within 500 feet of a retail establishment selling alcoholic beverages and beer will not result in a significant number of retail food store wine licensees or a significant increase in wine sales in the state. Any impact on state or local tax revenue will be not significant.
- Authorizing Elkton City in Giles County to conduct a referendum to authorize the sale of wine at retail food stores will not result in a significant increase in state or local tax revenue. Any increase in revenue to the ABC is estimated to be sufficiently captured by this fiscal memorandum.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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